

Industry Circular



Internal Revenue Service

Alcohol and Tobacco Tax Division
Washington, D.C. 20224

Industry Circular No. 68-26

August 28, 1968

MODIFIED PROCEDURES CONCERNING NORMAL STORAGE LOSSES FROM PACKAGES OF SPIRITS IN BOND

Proprietors of distilled spirits
plants and others concerned:

The purpose of this industry circular is to advise you of the provisions of a revenue procedure which will soon be published in the Internal Revenue Bulletin. This revenue procedure will supersede Revenue Procedure 68-18 (reported in Industry Circular 68-8) and will allow for soakage in determining losses from tampered packages of distilled spirits in bonded storage. The revenue procedure will be published substantially as follows:

SEC. 2. BACKGROUND.

Section 5006(b)(1) of the Internal Revenue Code of 1954 and 26 CFR 201.301(a) provide that when it is found that a package of distilled spirits in bond has sustained a loss due to theft or unauthorized voluntary destruction, immediate taxpayment of the original quantity of spirits entered for deposit in storage in the package may be required. An exception is made that where losses from any cause other than theft or unauthorized voluntary destruction can be established by the proprietor to the satisfaction of the Assistant Regional Commissioner, Alcohol and Tobacco Tax, the tax on the loss so established may be credited against the tax on the original quantity. Acceptable procedures for determining normal storage losses for packages filled by individual gauge and by average fill methods are prescribed below.

SEC. 3. METHODS FOR DETERMINING LOSSES.

.01 Packages filled by the individual gauge method. In order to credit the tax on normal storage losses against the tax on the original quantity of spirits entered for deposit in a package filled by the individual gauge method, when such package has sustained a loss due to theft or unauthorized voluntary destruction, the proprietor should:

(a) Determine the loss from the tampered package by actual gauge or by using the present gross weight, present proof, and original tare of the package, and subtracting the tax gallons so obtained from the original tax gallons entered into the package.

(b) Weigh ten similar packages containing the same kind of spirits produced on the same day as the spirits in the tampered package and stored under similar conditions.

(c) Select, from the ten packages weighed, the package which, on the basis of original and present gross weights, appears to have sustained the least loss.

(d) Determine the loss from the comparison package by the same method used to determine the loss from the tampered package. The tax gallon loss so determined will be considered the normal storage loss from the tampered package.

(e) Subtract the tax gallons considered to be the normal storage loss from the total tax gallon loss from the tampered package.

The quantity determined in (e) above will be considered as a loss due to theft or unauthorized voluntary destruction and must be taxpaid in accordance with the provisions of 26 CFR Part 201.

.02 Packages filled by average fill methods. In order to credit the tax on normal storage losses against the tax on the original quantity of spirits entered for deposit in a package filled by an average fill method, when such package has sustained a loss due to theft or unauthorized voluntary destruction, the proprietor should:

- (a) Gauge the tampered package by weight and proof.
- (b) Weigh ten similar packages containing the same kind of spirits produced on the same day as the spirits in the tampered package and stored under similar conditions.
- (c) Select from the ten packages weighed the package with the heaviest gross weight.
- (d) Subtract the gross weight of the tampered package from the gross weight of the comparison package.
- (e) Convert the difference between the gross weights of the two packages to tax gallons, using the proof of the spirits in the tampered package.

The quantity determined in (e) above will be considered as a loss due to theft or unauthorized voluntary destruction and must be taxpaid in accordance with the provisions of 26 CFR Part 201.

SEC. 4. EFFECT ON OTHER DOCUMENTS.

This Revenue Procedure supersedes Revenue Procedure 68-18, I.R.B. 1968-17, 29.

Inquiries concerning this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



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